



[BILLING CODE: 6750-01S]

FEDERAL TRADE COMMISSION

[File No. 141 0183]

H.I.G. Bayside Debt & LBO Fund II, L.P. and Crestview Partners, L.P. ; Analysis to Aid Public Comment

AGENCY: Federal Trade Commission.

ACTION: Proposed consent agreement.

SUMMARY: The consent agreement in this matter settles alleged violations of federal law prohibiting unfair methods of competition. The attached Analysis to Aid Public Comment describes both the allegations in the draft complaint and the terms of the consent orders -- embodied in the consent agreement -- that would settle these allegations.

DATES: Comments must be received on or before December 2, 2014.

ADDRESSES: Interested parties may file a comment at

<https://ftcpublic.commentworks.com/ftc/highbaysidedebtconsent> online or on paper, by following the instructions in the Request for Comment part of the **SUPPLEMENTARY**

INFORMATION section below. Write “In the Matter of H.I.G. Bayside Debt & LBO Fund II, L.P., and Crestview Partners, L.P., Matter No. 141 0183” on your comment and file your

comment online at <https://ftcpublic.commentworks.com/ftc/highbaysidedebtconsent>

by following the instructions on the web-based form. If you prefer to file your comment on paper, write “In the Matter of H.I.G. Bayside Debt & LBO Fund II, L.P., and Crestview Partners, L.P., Matter No. 141 0183” on your comment and on the envelope, and mail it to the following address: Federal Trade Commission, Office of the Secretary, 600 Pennsylvania Avenue, NW, Suite CC-5610 (Annex D), Washington, DC 20580, or deliver your comment to the following

address: Federal Trade Commission, Office of the Secretary, Constitution Center, 400 7th Street, SW, 5th Floor, Suite 5610 (Annex D), Washington, DC 20024.

FOR FURTHER INFORMATION CONTACT: Jill Frumin, Bureau of Competition, (202-326-2758), 600 Pennsylvania Avenue, NW, Washington, DC 20580.

SUPPLEMENTARY INFORMATION: Pursuant to Section 6(f) of the Federal Trade Commission Act, 15 U.S.C. 46(f), and FTC Rule 2.34, 16 CFR § 2.34, notice is hereby given that the above-captioned consent agreement containing consent orders to cease and desist, having been filed with and accepted, subject to final approval, by the Commission, has been placed on the public record for a period of thirty (30) days. The following Analysis to Aid Public Comment describes the terms of the consent agreement, and the allegations in the complaint. An electronic copy of the full text of the consent agreement package can be obtained from the FTC Home Page (for October 31, 2014), on the World Wide Web, at <http://www.ftc.gov/os/actions.shtm>.

You can file a comment online or on paper. For the Commission to consider your comment, we must receive it on or before December 2, 2014. Write “In the Matter of H.I.G. Bayside Debt & LBO Fund II, L.P., and Crestview Partners, L.P., Matter No. 141 0183” on your comment. Your comment - including your name and your state - will be placed on the public record of this proceeding, including, to the extent practicable, on the public Commission Website, at <http://www.ftc.gov/os/publiccomments.shtm>. As a matter of discretion, the Commission tries to remove individuals’ home contact information from comments before placing them on the Commission Website.

Because your comment will be made public, you are solely responsible for making sure that your comment does not include any sensitive personal information, like anyone’s Social Security number, date of birth, driver’s license number or other state identification number or

foreign country equivalent, passport number, financial account number, or credit or debit card number. You are also solely responsible for making sure that your comment does not include any sensitive health information, like medical records or other individually identifiable health information. In addition, do not include any “[t]rade secret or any commercial or financial information which . . . is privileged or confidential,” as discussed in Section 6(f) of the FTC Act, 15 U.S.C. § 46(f), and FTC Rule 4.10(a)(2), 16 CFR § 4.10(a)(2). In particular, do not include competitively sensitive information such as costs, sales statistics, inventories, formulas, patterns, devices, manufacturing processes, or customer names.

If you want the Commission to give your comment confidential treatment, you must file it in paper form, with a request for confidential treatment, and you have to follow the procedure explained in FTC Rule 4.9(c), 16 CFR § 4.9(c).¹ Your comment will be kept confidential only if the FTC General Counsel, in his or her sole discretion, grants your request in accordance with the law and the public interest.

Postal mail addressed to the Commission is subject to delay due to heightened security screening. As a result, we encourage you to submit your comments online. To make sure that the Commission considers your online comment, you must file it at <https://ftcpublic.commentworks.com/ftc/highbaysidedebtconsent> by following the instructions on the web-based form. If this Notice appears at <http://www.regulations.gov/#!home>, you also may file a comment through that website.

If you file your comment on paper, write “In the Matter of H.I.G. Bayside Debt & LBO Fund II, L.P., and Crestview Partners, L.P., Matter No. 141 0183” on your comment and on the envelope, and mail your comment to the following address: Federal Trade Commission, Office

¹ In particular, the written request for confidential treatment that accompanies the comment must include the factual and legal basis for the request, and must identify the specific portions of the comment to be withheld from the public record. *See* FTC Rule 4.9(c), 16 CFR § 4.9(c).

of the Secretary, 600 Pennsylvania Avenue, NW, Suite CC-5610 (Annex D), Washington, DC 20580, or deliver your comment to the following address: Federal Trade Commission, Office of the Secretary, Constitution Center, 400 7th Street, SW, 5th Floor, Suite 5610 (Annex D), Washington, DC 20024. If possible, submit your paper comment to the Commission by courier or overnight service.

Visit the Commission Website at <http://www.ftc.gov> to read this Notice and the news release describing it. The FTC Act and other laws that the Commission administers permit the collection of public comments to consider and use in this proceeding as appropriate. The Commission will consider all timely and responsive public comments that it receives on or before December 2, 2014. You can find more information, including routine uses permitted by the Privacy Act, in the Commission's privacy policy, at <http://www.ftc.gov/ftc/privacy.htm>.

Analysis of Agreement Containing Consent Orders to Aid Public Comment

I. INTRODUCTION AND BACKGROUND

The Federal Trade Commission ("Commission") has accepted for public comment, subject to final approval, an Agreement Containing Consent Orders ("Consent Agreement") from H.I.G. Bayside Debt & LBO Fund II, L.P. ("H.I.G."), and Crestview Partners, L.P. ("Crestview"). The purpose of the proposed Consent Agreement is to remedy the anticompetitive effects that otherwise would result from the acquisition of Symbion Holdings Corporation ("Symbion"), a Crestview subsidiary, by Surgery Center Holdings, Inc. ("Surgery Partners"), an H.I.G. subsidiary. The proposed Consent Agreement requires Surgery Partners to divest its ownership interest in the Blue Springs Surgery Center ("Blue Springs") in Orange City, Florida, which it will acquire as part of its acquisition of Symbion, to a Commission-approved acquirer, and in a manner approved by the Commission, no later than sixty (60) days after the Commission's final Decision and Order is issued. Under the proposed Consent Agreement,

Surgery Partners is required to hold separate the to-be-divested interest and maintain the economic viability and competitiveness of Blue Springs until the potential acquirer is approved by the Commission and the divestiture is complete. In the event that a timely divestiture of Surgery Partners' Blue Springs interest is not accomplished, the Decision and Order provides that the Commission may appoint a trustee to divest either Surgery Partners' ownership interest in Blue Springs, or its ownership interest in Orange City Surgery Center ("OCSC"), a competing facility in Orange City in which Surgery Partners owns a controlling interest.

The proposed Consent Agreement has been placed on the public record for thirty days to solicit comments from interested persons. Comments received during this period will become part of the public record. After 30 days, the Commission again will review the proposed Consent Agreement and comments received, and decide whether it should withdraw the Consent Agreement, modify the Consent Agreement, or make it final.

On June 13, 2014, Surgery Partners and Symbion signed a merger agreement pursuant to which Surgery Partners agreed to acquire all of the voting securities of Symbion for \$792 million. The Commission's complaint alleges that the proposed acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, by eliminating actual, direct, and substantial competition between the parties for the sale and provision of outpatient surgical services to commercial health plans and commercially insured patients in the Orange City/Deltona market in Florida. The proposed Consent Agreement would remedy the alleged violations by requiring a complete divestiture of Surgery Partners' ownership interest in Blue Springs in the affected market. The divestiture will restore the competition that otherwise would be lost as a result of the proposed acquisition.

II. THE PARTIES

H.I.G. is a private equity fund that owns 100% of Surgery Partners. Surgery Partners owns, in whole or in part, 47 ambulatory surgery centers (“ASCs”) in 17 states across the country. Surgery Partners generated approximately \$280 million in revenue during 2013.

Crestview is a private equity firm that owns 100% of Symbion. Symbion owns, in whole or in part, 44 ASCs in 21 states, as well as several short-stay surgical hospitals and other clinical facilities. Symbion generated more than \$535 million in revenue during 2013.

III. OUTPATIENT SURGICAL SERVICES IN ORANGE CITY/DELTONA, FLORIDA

The relevant product market in which Surgery Partners’ proposed acquisition of Symbion poses antitrust concerns is the sale and provision of outpatient surgical services to commercial health plans and commercially insured patients. Outpatient surgical services are sold to commercial health plans, which then sell benefit plans to commercially insured patients. Outpatient surgical procedures can be performed at an ASC, a specialty hospital, or a general acute care hospital.

When commercial health plans reimburse providers for outpatient surgical services, they pay two fees: a professional services fee to the surgeon who performed the procedure and a separate facility fee to the ASC or hospital where the procedure was performed. The facility fee covers use of the operating room as well as other costs associated with the procedure, such as nursing services or supplies. The potential anticompetitive effects of the proposed acquisition here are limited to facility fees. The acquisition is unlikely to have an anticompetitive effect on professional services fees because Blue Springs and OCSC do not employ physicians and, therefore, do not charge or compete for those fees.

Outpatient surgical services markets are local in nature. Evidence gathered during our

investigation of the proposed acquisition establishes that patients have a strong preference for receiving outpatient surgical services within the area where they live or work. Accordingly, the proposed acquisition raises serious antitrust concerns for patients seeking outpatient surgical services in the southwestern Volusia County, Florida, area, which includes the cities of Orange City and Deltona, Florida (the “Orange City/Deltona Area”). The evidence indicates that commercially insured patients who reside in the Orange City/Deltona Area are unlikely to seek outpatient surgical services from more distant providers, even in response to a small but significant and non-transitory increase in price.

The proposed acquisition would combine the only two multi-specialty ASCs in the Orange City/Deltona Area, Symbion’s Blue Springs and Surgery Partners’ OCSC, and, post-merger, would leave commercial health plans and commercially insured patients in the Orange City/Deltona Area with only one meaningful alternative to Surgery Partners for outpatient surgical services. Absent relief, the proposed acquisition would substantially increase concentration in the Orange City/Deltona Area market for outpatient surgical services. Using the Herfindahl-Hirschman Index (“HHI”), the standard measure of market concentration under the 2010 Department of Justice and Federal Trade Commission Merger Guidelines (“Merger Guidelines”), the proposed acquisition would result in a post-merger HHI of greater than 2,500 and a delta of greater than 1,000, thus creating a presumption under the Merger Guidelines that the transaction will result in competitive harm.

IV. COMPETITIVE EFFECTS OF THE PROPOSED ACQUISITION

The evidence gathered in staff’s investigation establishes that Symbion’s Blue Springs and Surgery Partners’ OCSC are each other’s closest competitors, competing head-to-head on a number of price and non-price factors. By eliminating this close competition between Surgery Partners and Symbion, the proposed acquisition is likely to increase Surgery Partners’ bargaining

leverage in post-merger negotiations with commercial health plans in the Orange City/Deltona Area and result in higher reimbursement rates. Absent relief, the proposed acquisition would also reduce Surgery Partners' competitive incentives to maintain and improve the quality of care of its ASCs in the Orange City/Deltona Area. Ultimately, these effects would be felt by local patients in the form of higher health insurance premiums and out-of-pocket costs, as well as reduced access to high quality care.

New entry or expansion is unlikely to deter or counteract the anticompetitive effects of the proposed acquisition in the Orange City/Deltona Area. Significant entry barriers include the time and costs associated with constructing or expanding an ASC or hospital-based outpatient surgical services facility, regulatory and licensing requirements that govern the provision of outpatient surgical services, and the need to recruit a sufficient number of physicians to staff an ASC in order to restore the competition lost as a result of the proposed acquisition. Several market-specific factors, including a lack of sufficient demand and the potential inability to recruit qualified personnel to the area, also reduce the likelihood of new entry in the Orange City/Deltona Area. For these reasons, it is unlikely that new entry or expansion sufficient to achieve a significant market impact will occur in a timely manner.

V. THE PROPOSED CONSENT AGREEMENT

The proposed Consent Agreement remedies the concerns about the effect of the transaction on competition in the Orange City/Deltona Area. The proposed Consent Agreement would maintain competition in the area by requiring Surgery Partners to fully divest its newly acquired ownership interest in Blue Springs in a manner approved by the Commission. The parties have indicated they will propose to divest this interest in Blue Springs to Dr. Mark Hollmann, one of Blue Springs' other current owners, who is actively involved in Blue Springs' operations and a physician at the ASC. Any potential buyer for this ownership interest is subject

to the prior approval of the Commission. The proposed Consent Agreement requires Surgery Partners to provide transitional services to the approved acquirer for a period of up to six months, renewable for an additional six months at the option of the acquirer, to assist the acquirer in operating Blue Springs as a viable and ongoing business. Until the divestiture is completed, Surgery Partners is required to hold its interest in Blue Springs separate, subject to the standard terms of the Order to Hold Separate and Maintain Assets (“Hold Separate Order”). Additionally, the Commission has appointed Richard Shermer as the Hold Separate Monitor to oversee compliance with the Hold Separate Order. If, for any reason, Surgery Partners fails to divest its interest in Blue Springs within sixty (60) days after entry of the final Decision and Order, the Commission has the right to appoint a divestiture trustee to divest Surgery Partners’ interest in either Blue Springs or OCSC, expeditiously and at no minimum price.

The sole purpose of this analysis is to facilitate public comment on the Consent Agreement. This analysis does not constitute an official interpretation of the Consent Agreement or modify its terms in any way.

By direction of the Commission.

Donald S. Clark,
Secretary.

[FR Doc. 2014-26433 Filed 11/05/2014 at 8:45 am; Publication Date: 11/06/2014]